

# FISCAL NOTE

**Bill #:** SB0508

**Title:** Increase number of weeks for  
calculation of permanent partial  
disability

**Primary**

**Sponsor:** Vicki Cocchiarella

**Status:** As introduced

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Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000</u></b> <b><u>Difference</u></b>	<b><u>FY2001</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$112,000	\$114,700
State Special Revenue	56,100	57,100
Federal Special revenue	114,600	117,500
Proprietary	2,339,500	2,398,000
<b>Revenue:</b>		
State Special Revenue	\$1,100	\$1,100
Proprietary	2,339,500	2,398,000
<b>Net Impact on General Fund Balance:</b>	<b>(\$112,000)</b>	<b>(\$114,700)</b>

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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

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## Fiscal Analysis

### ASSUMPTIONS:

1. The National Council on Compensation Insurance (NCCI) was requested by the State Fund to assist in determining the fiscal impact of this legislation.

(continued)

2. The bill will impact all Plan 1, 2, and 3 worker's compensation carriers. State Fund represents approximately 35% of the total workers' compensation market.
3. The fiscal impact of this legislation comes from increasing the permanent partial disability award by 50 weeks, from the current 350 weeks to 400 weeks.
4. NCCI estimates the impact to the Montana workers' compensation system to be a 4% increase in costs.
5. The State Fund is required by law to be self-supporting and to establish rates sufficient to ensure adequate funding of the insurance program, 39-71-2311, MCA.
6. Based on the NCCI analysis of the increased cost to the workers' compensation system, the State Fund estimates an overall rate increase of 3.5% would be required to offset the increased benefit costs.
7. The State Fund's estimated FY99 gross base premium affected by payroll growth is \$65,212,000. For fiscal years 2000 and 2001 the State Fund has applied a 2.5% payroll growth factor to the FY99 estimated gross premium.
8. A 3.5% rate increase will require an additional \$2,339,500 in gross premiums to be charged to State Fund policyholders in FY2000, and \$2,398,000 to be charged in FY2001 to cover the costs of the estimated additional claims incurred losses. This does not include the impact on Plan 1 & 2 insurers.
9. The state agencies' estimated FY99 gross premium is \$7,431,000. For fiscal years 2000 and 2001 the State Fund has applied a 2.5% payroll growth factor to the FY99 estimated gross premium. A 3.5% rate increase will require an additional \$266,600 in gross premiums to be charged to state agencies in FY2000 and \$273,200 to be charged in FY2001.
10. The Department of Labor and Industry estimates the uninsured employers' fund would have a cost of \$16,100, with \$1,100 recoverable from employers.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Expenditures:</u>		
Personal Services	\$266,600	\$273,200
Benefits	<u>2,355,600</u>	<u>2,414,100</u>
TOTAL	\$2,622,200	\$2,687,300
<u>Funding:</u>		
General Fund (01)	\$112,000	\$114,700
State Special Revenue (02)	56,100	57,100
Federal Special Revenue (03)	114,600	117,500
Proprietary Fund (06)	<u>2,339,500</u>	<u>2,398,000</u>
TOTAL	\$2,622,200	\$2,687,300
<u>Revenues:</u>		
State Special Revenue (02)	\$1,100	\$1,100
Proprietary Fund (06)	2,339,500	2,398,000

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$112,000)	(\$114,700)
State Special Revenue (02)	(55,000)	(56,000)
Federal Special Revenue (03)	(114,600)	(117,500)
Proprietary Fund (01)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

All employers, county and other local government entities included, will be required by law to pay higher workers' compensation benefits to injured workers and will see increased cost to purchase coverage for their workers' compensation liability.